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D. Musaev

Customs Institute of the Republic of Uzbekistan, Tashkent, 100071, Uzbekistan, [tsulscience@tsul.uz](mailto:tsulscience@tsul.uz)

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# Shanghai cooperation organization as the basis economic development and collective security

## **Cover Page Footnote**

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## SHANGHAI COOPERATION ORGANIZATION AS THE BASIS ECONOMIC DEVELOPMENT AND COLLECTIVE SECURITY

Musaev Jamoliddin, Tashkent state university of law, Tashkent, 100047, Uzbekistan

**Annotation:** The article is devoted to one of the directions of development of international economic relations at the regional level - the Shanghai Cooperation Organization (SCO). The process of the formation of the SCO is considered, the state, problems and perspectives of the external economic interaction of its member states are analyzed. An assessment of the conditions, characteristics and development possibilities of the SCO is given.

**Keywords:** international economic relations; Shanghai Cooperation Organization; regional integration; interaction; economic cooperation; development prospects.

**Аннотация:** мақола минтақавий даражада – Шанхай Ҳамкорлик Ташиқлотининг (ШХТ) халқаро иқтисодий муносабатларини ривожлантириши йўналишларидан бирига бағишланган. ШХТни шакллантириши жараёни кўриб чиқилган, унга аъзо давлатлар ташиқи иқтисодий ҳамкорлигининг муаммолари ва истиқболлари таҳлил қилинган. ШХТнинг шарт-шароитлари, хусусиятлари ва ривожланиши имкониятлари баҳоланган.

**Калит сўзлар:** халқаро иқтисодий муносабатлар, Шанхай Ҳамкорлик Ташиқлоти, минтақавий интеграция, ҳамкорлик, иқтисодий ҳамкорлик, ривожланиши истиқболлари.

**Аннотация:** статья посвящена одному из направлений развития международных экономических отношений на региональном уровне – Шанхайской организации сотрудничества (ШОС). Рассмотрен процесс становления ШОС, проанализированы состояние, проблемы и перспективы внешнеэкономического взаимодействия государств-членов. Дана оценка условий, особенностей и возможностей развития ШОС.

**Ключевые слова:** международные экономические отношения, Шанхайская организация сотрудничества, региональная интеграция, взаимодействие, экономическое сотрудничество, перспективы развития.

Changes in the system of international economic relations and the geopolitical situation in the world, the emergence of new threats to global, regional and national security demonstrate the problems of ensuring the safe existence of each state. The unification of countries in the Shanghai Cooperation Organization (SCO), in fact, resulted from the emergence of such threats to the well-being, stability and security of the Eurasian region, primarily in the form of escalating terrorism and extremism, as well as problems of an economic nature.

The foundations of the SCO were laid down on September 8, 1992 at a meeting in Minsk of deputy foreign ministers of Kazakhstan, Kyrgyzstan, Russia and Tajikistan. They defined the maintenance of peace, security and stability of the region as the goals and missions of the organization, and the fight against terrorism, separatism and extremism as priorities of cooperation.

The history of the creation of the SCO begins with the "Shanghai – five", which arose as a result of the signing in 1996-1997. Kazakhstan, Kyrgyzstan, China, Russia and Tajikistan agreements on strengthening confidence in the military field and on the mutual reduction of armed forces in the region of the borders. In 2001, with the adoption of the SCO of Uzbekistan, it was renamed the "Shanghai Six" [1].

The desire of the states of the Eurasian region to jointly address issues of mutual security and confidence building measures, as well as the spread of common interests in the areas of political, economic, cultural and humanitarian cooperation is reflected in the Charter of the SCO in 2002, the Charter defines SCO [2]:

strengthening mutual trust, friendship and good neighborliness among member states;

the development of multidisciplinary cooperation in order to maintain and strengthen peace, security and stability in the region, promoting the construction of a new democratic, fair and rational political and economic international order;

joint counteraction against terrorism, separatism and extremism in all their manifestations, the fight against the illicit trafficking of drugs and weapons, other types of transnational criminal activity, as well as illegal migration;

promotion of effective regional cooperation in political, trade, economic, defense, law enforcement, environmental, cultural, scientific, technical, educational, energy, transport, credit and financial and other areas of common interest;

comprehensive promotion of balanced economic growth, social and cultural development of states in the region through their joint actions on the basis of equal partnership in order to continuously improve the level and improve the living conditions of the peoples of the Member States;

coordination of approaches for integration into the world economy;

assistance in ensuring human rights and fundamental freedoms in accordance with the international obligations of member states and their national legislation;

maintenance and development of relations with other states and international organizations;

cooperation in the prevention of international conflicts and their peaceful settlement;

joint search for solutions to problems that will arise in the XXI century.

The “Program of multilateral trade and economic cooperation for the period up to 2020” adopted at the level of heads of government of the SCO member states (September 2003) defined the ultimate long-term goal of the organization - the establishment of a regime for the free movement of goods, capital, services and technology within the region and the creation of a free trade zone [3].

The main principles of the functioning of the SCO are:

mutual respect for the sovereignty, independence, territorial integrity of states and the inviolability of borders;

non-aggression, non-interference in internal state affairs, non-use of force or the threat of force in international relations, renunciation of unilateral military superiority in adjacent areas;

equality of all member states, searching for common points of view based on mutual understanding and respect for the opinions of each of them;

phased implementation of joint actions in the areas of common interests;

The peaceful resolution of disputes between Member States;

non-admission of the SCO actions against other states and international organizations;

prevention of any illegal actions against the interests of the SCO;

conscientious fulfillment of commitments made under the SCO.

Over the years of its existence, the SCO as a young regional international organization has stood the test of changes in the international situation and has become a mature union.

Currently, the SCO includes eight member states, four observer states, three candidates for observer states, and six states with the “dialogue partner” status (Table 1). In addition, the SCO has partnership agreements with the UN, the CIS, the EAEU and ASEAN.

**Table 1**

**Membership in the Shanghai Cooperation Organization**

| SCO member states     | Observer States   | Dialogue partners       |
|-----------------------|---|-------------------------|
| India (since 2015)    | Afghanistan   | Azerbaijan (since 2015) |
| Kazakhstan            | Belarus (since 2015)  | Armenia (since 2015)    |
| Kyrgyzstan            | Iran  | Cambodia (since 2015)   |
| China                 | Mongolia  | Nepal (since 2015)      |
| Pakistan (since 2015) | Countries that have applied for participation in the SCO as an observer state | Turkey                  |
| Russia                |   | Sri Lanka               |
| Tajikistan            |   |                         |
| Uzbekistan            | Bangladesh  |                         |
|                       | Syria   |                         |
|                       | Egypt   |                         |

*Source: compiled by the author on the open materials of the SCO [4].*

The organizational structure of the SCO has been formed and the legal basis for its functioning has been determined. The order of work of all SCO bodies was developed and adopted (in 2003 at the Moscow summit). Since January 2004, the main structures of the organization have begun work, and from that moment the association functions as a full-fledged international organization [5].

It should be noted that the SCO has passed an uneasy way of development, which can be characterized as uniform and consistent. At present, the SCO is a real-life and successful organization, whose opinion,

position and reaction cannot be ignored in relation to international events both in the Central Asian region and in Europe, Asia and the Pacific.

The organization brings together almost 18 countries with a population of 3 billion 40 million people (half of the world's population). The total territory of the states - members of the SCO is more than 34 million square meters, that is 60% of the area of Eurasia.

In 2015, the total gross domestic product (GDP) of purchasing power parity (PPP) of the SCO member states amounted to about \$ 37 trillion - almost 1/3 of the global GDP indicator.

The international weight of the SCO is determined not only by the aggregate demographic and territorial potential of its member countries, but also by the strategic partnership of the two world nuclear powers and the permanent members of the UN Security Council - Russia and China. India and Pakistan also possess nuclear weapons.

Such partnership determines the role of this association in building a collective security system both in Central Asia and in the Asia-Pacific region.

The most important condition for the success of the SCO is a powerful economy and a huge natural resource potential of the member countries [6].

As you know, **China** is rich in resources and minerals. It is among the world leaders in coal, iron, copper, aluminum, antimony, molybdenum, manganese, tin, lead, zinc and mercury. In addition, it has oil, natural gas, oil shale, phosphorus and sulfur. In terms of stocks of rare earth metals, China surpasses all other countries of the world combined.

**Russia** has 20% of the world's raw material reserves. It is the first in the world in gas reserves, the second – in terms of oil production, the third – in coal reserves. Russia occupies a leading position in forest provision, in explored reserves of iron ore – the first place, in tin – the second, in lead – the third.

**Kazakhstan** also has a large industrial potential and large mineral reserves. He is in 13th place in the world in explored reserves of oil and gas. On its territory are located the largest deposits of iron ore, coal, non-ferrous metals. In terms of reserves, Kazakhstan excels among the CIS countries in chrome ores and lead, in second place in terms of oil, silver, copper, manganese, zinc, nickel and phosphoric raw materials, in the third place in gas, coal, gold and tin.

About 100 types of mineral raw materials have been identified in **Uzbekistan**. The Republic is in the leading positions in gold mining – in explored reserves in fourth place in the world. Uzbekistan is among the ten largest gas producing countries in the world in terms of natural gas production. Among other natural resources, it is necessary to note the presence of large reserves of coal, uranium ore, non-ferrous and rare metals (silver, copper, lead, zinc, tungsten and molybdenum).

**Tajikistan** is the largest electricity supplier in the region. Its leading industries are non-ferrous metallurgy, light industry and food industry.

**Kyrgyzstan** also has rich natural resources. Deposits of non-ferrous, precious metals and other minerals are globally competitive. The republic has discovered deposits of coal, non-ferrous, rare and rare-earth metals. Water resources are the most important natural potential influencing the structure of the country's economy.

Russia and China act in the SCO as a locomotive for the development of both the economies of individual countries and the region as a whole. China in modern conditions has significant investment opportunities, and Russia can provide technology and transportation services. Energy should be used as a source of development of the entire region. There are great opportunities in this direction, and all countries are interested in participating in such projects.

The effectiveness of the SCO lies in the fact that, having political influence among the leading states of the world, it objectively secured the energy market, the market for other natural resources, and the areas of economic and military cooperation.

The SCO actively promotes security and stability in the region, contributes to the world economy and the sustainable development of one of the largest regions of the world community, expanding the dialogue of cultures and civilizations. The strengths of the SCO, which form the basis for the development and deepening of regional cooperation, and the problematic issues in the organization's activities at the present stage are summarized in Table 2.

**Table 2**

**Strong and weak (problem) sides of activity Shanghai Cooperation Organization**

| <b>Strengths</b>  | <b>Weak sides</b>  |
|---|--|
| Common space (common regional integrity), stability and security of practically the whole continent | Significant influence on the development of the situation in each country - a member of the SCO of world powers, primarily the United States, the European Union |

|   |   |
|---|---|
| Concentration of natural resources of world importance, interest in their development of many states of the world   | Unsustainable regimes in individual SCO states  |
| The presence of Euro-Asian transport corridors and transport and communication networks, direct access (via China) to the Asia-Pacific region (APR, APEC, ASEAN); availability and development opportunities of the traditional "Great Silk Road" | Lack of an effective (operational, coordinated) mechanism for interaction between the SCO countries, including on the fight against terrorism   |
| The existence of a mechanism for the collective settlement of existing differences within the framework of a regional bloc based on international legal agreements  | Weak (insufficiently strong) economic cooperation between the SCO countries; bilateral cooperation prevails over the solution of common regional and global problems; almost no multilateral economic project was implemented |
| The presence of an integration "core" capable of fulfilling the role of a locomotive in the development of national economies and the region as a whole   | Insufficiently strong historical and cultural ties, values: interfaith differences, interethnic concord, language barrier (multilingualism); There are four civilizations: Confucianism, Islam, Slavic civilization, Hinduism |

*Source: compiled by the author on the open materials of the SCO [7].*

The Shanghai Cooperation Organization is open for admission to its membership of other states that pledge to abide by the purposes and principles of the Charter, as well as the provisions of other international treaties and documents adopted in the SCO.

In 2015, India and Pakistan became members of the SCO. The adoption of India and Pakistan in the SCO significantly changes the regional and global alignment.

Important are the further development of economic and military cooperation, transport and communication networks; direct access to the Indian Ocean; expansion of the collective security system; promoting regional economic integration and ensuring integrated stability.

The admission of Pakistan and India to the SCO can help solve the problems of Afghanistan. The obstacle for the full-fledged entry of India and Pakistan into the SCO was that, according to the charter of the organization, member countries should not have unresolved conflicts between themselves, and Pakistan and India have not been able to solve the Kashmir problem for several decades.

However, the influence of the Kashmir factor should not be absolutized, since Pakistan is interested in developing its industry and corresponding trade and economic ties with India. India benefits from the unity and territorial integrity of Pakistan due to the threat of risks of uncontrolled migration flows and the resulting economic slowdown.

Participation of India and Pakistan in the SCO will contribute to the normalization of relations between them: at the same time it is a signal that the organization will ensure the normalization of Pakistan-India relations.

The main role of the SCO in this matter is a platform for resolving mutual claims and reaching agreements through the mediation of third countries. In the event of aggravation of territorial claims between China and India and intensification of disagreements within the SCO countries, a collective position in resolving complex issues will allow to solve many problems in the context of agreements within a regional organization.

The member states want to see Pakistan and India as full-fledged members of the SCO mainly because India and Pakistan also possess nuclear weapons and have shown interest in their further non-proliferation.

The question of the possible accession to the SCO of such a country as Iran, which is currently an observer state in the SCO, is currently being discussed.

Iran attracts the SCO both as an important transportation hub and as a leading exporter of energy resources. If Iran joins the SCO, the solution of territorial problems in the Caspian Sea will be accelerated [6].

The presence of Iran in the SCO will more effectively address serious problems in Central Asia and Afghanistan, and in the countries of the Caspian basin.

Another important issue in the activities of the SCO is the expansion of the economic zone of the Great Silk Road. There is a great interest of the German and other European economies in the acquisition

by the European Union (EU) represented by the SCO as a collective partner for the implementation of large-scale EU plans for the development of the capacious market of Central Asia.

Of particular interest to the EU is the idea of the SCO to create an Energy Club. On this basis, the EU and the SCO may have a mutually beneficial dialogue.

In the future, the basis for the rapprochement of the SCO and the EEU may be the so-called "Silk Road Economic Belt" - a huge area of economic cooperation stretching from China to Europe.

This multi-faceted project includes funding for the construction of roads, railways and airports, mining, industrial cooperation, financial services, and technological cooperation.

Thus, an analysis of the cooperation of the SCO member states as an effective tool for regional economic integration and the basis for ensuring the collective security of its member states makes it possible to determine further directions for the development of the SCO. These include:

- development as a regional security organization dedicated to the maintenance of peace and confidence-building in the region, as well as the fight against smuggling, illicit drug trafficking, cross-border organized crime, information security threats;

- development as an organization of economic cooperation, contributing to the creation of favorable conditions for mutual trade and investment;

- development as a regional arbiter or forum for discussing emerging multilateral problems (integration, economic, financial, military, environmental, informational, etc.);

- development as a universal organization that would not focus its activities on solving only one task, but would solve a wide range of problems;

- information technology update with regard to cyber threats.

To achieve the goals and implement these areas of development, the main tasks of the SCO at the present stage are:

- further consolidation of the member states on the principles enshrined in the Charter and other basic documents of the SCO;

- giving a qualitatively new dynamic to joint efforts to maintain peace, security and sustainable development in the SCO area;

- the fight against terrorism, smuggling, drug trafficking and other types of cross-border crime;

- promoting the socio-economic development of the SCO member states and promoting humanitarian cooperation between them;

- strengthening the international authority and influence of the SCO as innovative;

- Interstate structure, an important element of the emerging multipolar world pattern.

The following can be singled out as favorable conditions for achieving the goals and solving these problems: strong guarantees in the form of interaction mechanisms in the political, foreign economic and defense spheres, as well as in the field of security.

The complementarity of economies and the division of labor between countries, due to the peculiarities of each of them, as well as the presence of rich resource reserves are the basis for long-term economic cooperation of the SCO member states.

Thus, based on the above, we can formulate the following conclusions:

1. All participating countries are geographically close, they are connected by a similar history, common culture, strong traditions of friendly contacts. This is unique for collaboration.

2. All SCO member countries maintain stability and security both within their own countries and along the perimeter of their external borders; therefore, they are also interested in achieving their own results in advancing the solution of socio-economic and other tasks, and jointly countering emerging threats and challenges their existence.

3. All member states of the SCO are showing interest in strengthening the economic component of their organization, for they are clearly aware that only by joining efforts, the SCO members will be able to turn the Shanghai Cooperation Organization into a more welded, more business, more demanded international organization.

4. Further deepening of customs cooperation, trade facilitation, increasing the capacity and efficiency of border points, optimizing border infrastructure in order to facilitate trade and economic cooperation in the region.

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